

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

May 8, 2002

Mr. Mitch Clary, Director of Reimbursement
Pruitt Corporation
409 East Doyle Street
Toccoa, Georgia 30577

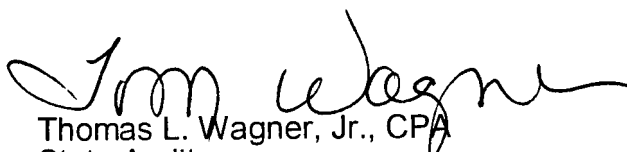
Re: AC# 3-SMW-J9 – Southern Medical of Walterboro, Inc.
d/b/a Oakwood Health Care Center

Dear Mr. Clary:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER**

WALTERBORO, SOUTH CAROLINA

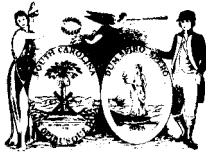
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-SMW-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2000	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 17, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

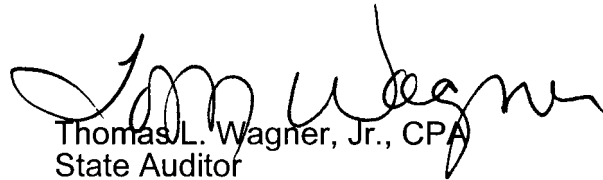
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Southern Medical of Walterboro, Inc. d/b/a Oakwood Health Care Center dated as of November 1, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 17, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-SMW-J9

Interim reimbursement rate (1)	\$87.10
Adjusted reimbursement rate	<u>85.44</u>
Decrease in reimbursement rate	<u>\$ 1.66</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period Beginning October 1, 2000
 AC# 3-SMW-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.55	\$54.01	
Dietary		8.73	10.12	
Laundry/Housekeeping/Maint.		<u>8.56</u>	<u>8.88</u>	
Subtotal	<u>\$5.11</u>	55.84	73.01	\$55.84
Administration & Med. Rec.	<u>\$1.56</u>	<u>8.99</u>	<u>10.55</u>	<u>8.99</u>
Subtotal		64.83	<u>\$83.56</u>	64.83
<u>Costs Not Subject to Standards:</u>				
Utilities		1.71		1.71
Special Services		.17		.17
Medical Supplies & Oxygen		4.97		4.97
Taxes and Insurance		1.41		1.41
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$73.09</u>		73.09
Inflation Factor (3.20%)				2.34
Cost of Capital				6.76
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.56
Cost Incentive				5.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.92)
Nurse Aide Staffing Add-On 10/01/00				.39
Nurse Aide Staffing Add-On 10/01/99				<u>1.11</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.44</u>

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-SMW-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,831,096	\$ -	\$20,746 (2) 5,026 (3) 20,871 (4) 1,453 (4)	\$1,783,000
Dietary	416,813	-	10,373 (2) 2,465 (4)	403,975
Laundry	101,321	-	927 (4)	100,394
Housekeeping	178,574	-	1,876 (4)	176,698
Maintenance	120,101	-	1,055 (4)	119,046
Administration & Medical Records	417,084	-	923 (4) 321 (4)	415,840
Utilities	78,925	-	-	78,925
Special Services	7,911	-	207 (4)	7,704
Medical Supplies & Oxygen	237,733	-	8,064 (5)	229,669
Taxes & Insurance	65,306	-	-	65,306
Legal Fees	-	-	-	-

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-SMW-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	312,709	-	90 (1) 91 (6)	312,528
Subtotal	3,767,573	-	74,488	3,693,085
Ancillary	84,832	-	-	84,832
Non-Allowable	574,256	90 (1) 31,119 (2) 5,026 (3) 30,098 (4) 8,064 (5) 91 (6)	-	648,744
Total Operating Expenses	<u>\$4,426,661</u>	<u>\$74,488</u>	<u>\$74,488</u>	<u>\$4,426,661</u>
Total Patient Days	<u>46,253</u>	<u>-</u>	<u>-</u>	<u>46,253</u>
TOTAL BEDS	<u>132</u>			

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-SMW-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 90	
	Accumulated Depreciation	1,972	
	Cost of Capital - Depreciation Expense		\$ 90
	Fixed Assets - Basis		1,418
	Other Equity		554
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	31,119	
	Nursing		20,746
	Dietary		10,373
	To disallow home office cost recorded twice HIM-15-1, Section 2304		
3	Nonallowable	5,026	
	Nursing		5,026
	To disallow expenses HIM-15-1, Section 2304		
4	Nonallowable	30,098	
	Nursing		20,871
	Restorative		1,453
	Dietary		2,465
	Laundry		927
	Housekeeping		1,876
	Maintenance		1,055
	Administration		923
	Medical Records		321
	Special Services		207
	To adjust fringe benefits HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-SMW-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Medical Supplies	8,064	8,064
	To adjust therapy cost State Plan, Attachment 4.19D		
6	Nonallowable Cost of Capital	91	91
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$76,460</u>	<u>\$76,460</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 AC# 3-SMW-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>132</u>
Deemed Asset Value	4,773,780
Improvements Since 1981	510,985
Accumulated Depreciation at 9/30/99	<u>(1,394,979)</u>
Deemed Depreciated Value	3,889,786
Market Rate of Return	<u>.060</u>
Total Annual Return	233,387
Return Applicable to Non-Reimbursable Cost Centers	(760)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2</u>
Allowable Annual Return	232,629
Depreciation Expense	85,011
Amortization Expense	-
Capital Related Income Offsets	(4,849)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(263)</u>
Allowable Cost of Capital Expense	312,528
Total Patient Days (Minimum 96% Occupancy)	<u>46,253</u>
Cost of Capital Per Diem	\$ <u>6.76</u>

SOUTHERN MEDICAL OF WALTERBORO, INC.
D/B/A OAKWOOD HEALTH CARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-SMW-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.82</u>
Reimbursable Cost of Capital Per Diem	\$6.76
Cost of Capital Per Diem	<u>6.76</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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